

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-05

H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02

SS-15 ICA-11 HA-05 AID-05 COME-00 EB-08 FRB-03

TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01

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FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 1631

INFO USMISSION USUN NEW YORK

AMEMBASSY BONN POUCH

AMEMBASSY LAGOS POUCH

AMEMBASSY LONDON POUCH

AMEMBASSY LUSAKA POUCH

AMEMBASSY MAPUTO POUCH

AMEMBASSY OTTAWA POUCH

AMEMBASSY NAIROBI POUCH

AMEMBASSY PARIS POUCH

LIMITED OFFICIAL USE PRETORIA 3782

E.O. 11652: N/A

TAGS: EGEN, ELAB, SF

SUBJECT: PROSPECTS FOR CHANGE: BLACK ECONOMIC ADVANCEMENT

SUMMARY: THIS MESSAGE GIVES HIGHLIGHTS FROM PRETORIA A-42 OF JUNE 23 WHICH ANALYZED THE ECONOMIC PROSPECTS OF SOUTH AFRICA'S BLACKS. THE SOUTH AFRICAN GOVERNMENT HAS EASED RESTRICTIONS OVER BLACK HOUSING AND BUSINESS AND SEEMS PREPARED TO INTRODUCE REFORM OF LABOR PRACTICES. THESE STEPS, WILL WILL AFFECT ONLY A MINORITY OF THE BLACK POPULATION, MUST BE SEEN AGAINST A SLACKENED PACE OF ECONOMIC BETTERMENT, GROWING JOBLESSNESS IN A RECESSED ECONOMY, A FAILURE OF HOMELAND DEVELOPMENT, AND A DISCREPANCY IN WHITE AND LIMITED OFFICIAL USE

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BLACK FAMILY INCOMES OF ELEVEN TO ONE. WHILE THE PRIMARY THREAT TO PEACE AND STABILITY IN SOUTH AFRICA IS A POLITICAL SYSTEM THAT CONSIGNS BLACKS TO A PERMANENTLY SUBSERVIENT ROLE, THIS CONTINUED ECONOMIC GAP AGGRAVATES THE BITTERNESS OF THE AGGRIEVED MAJORITY AND REDUCES ITS STAKE IN THE EXISTING SOCIAL ORDER. END SUMMARY.

1. BLACK INCOMES: EARLIER IN THE 1970S, REAL BLACK WAGES ROSE BY MORE THAN 11 PERCENT IN SOME YEARS. ALTHOUGH WHITE WAGES HAVE STAGNATED, THE RATION OF WHITE TO BLACK WAGES IS STILL OVER 4:1 IN MANUFACTURING AND 7:1 IN MINING. ECONOMISTS PREDICT THAT THE RELATIVE RISE IN BLACK INCOMES, WHICH WAS PRIMARILY SOCIALLY MOTIVATED, CANNOT CONTINUE, ESPECIALLY AS THE OVERSUPPLY OF BLACK LABOR BECOMES MORE MARKED.

2. BLACK EMPLOYMENT: OFFICIAL JOBLESSNESS IS 12.4 PERCENT AMONG BLACKS AND 1.5 PERCENT AMONG OTHER RACES. REAL BLACK UNEMPLOYMENT, COUNTING THE RURAL UNDEREMPLOYED, IS PROBABLY WELL OVER 20 PERCENT. UNLESS A GROWTH RATE OF 6 PERCENT IS ACHIEVED, WHICH NO ONE ANTICIPATES WITH FOREIGN CAPITAL SHUNNING SOUTH AFRICA, THIS UNEMPLOYMENT WILL BECOME A STRUCTURAL FEATURE OF THE SOCIETY.

3. LIVING COSTS: WITH THE NEW 4 PERCENT SALES TAX AND BECAUSE GOVERNMENT-ADMINISTERED PRICES--ON MAIZE, BREAD, SUGAR, COAL, RENTS, ETC.--HAVE BEEN ALLOWED TO RISE, BLACK LIVING COSTS ARE ADVANCING FASTER THAN THE CONSUMER PRICE INDEX.

4. BARRIERS TO JOB ADVANCEMENT: ANOTHER REPORT IN THIS SERIES WILL DEAL WITH THE TWO SAG COMMISSIONS LOOKING LIMITED OFFICIAL USE

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INTO HORIZONTAL AND VERTICAL JOB IMMOBILITY IMPOSED ON BLACKS. BUT EVEN IF FORMAL CONSTRAINTS ARE EASED, WE SEE ONLY MARGINAL BENEFITS IN THE COMING YEARS. INSUFFICIENT WORKER HOUSING, INFUX CONTROL AND LACK OF SKILLS WILL REMAIN FORMIDABLE HURDLES. IN A FUTURE GROWTH STAGE, THE DEMAND FOR SKILLED WORKERS MAY HELP BLACKS MOVE AHEAD BUT FOR NOW FEW EMPLOYERS ARE TAKING ADVANTAGE OF GOVERNMENT PROGRAMS AND TAX CREDITS TO UPGRADE BLACK SKILLS.

5. RURAL AND HOMELAND POVERTY: JOB OPPORTUNITIES ARE BELIEVED TO BE SLOWLY DIMINISHING FOR THE 25 PERCENT OF THE BLACK POPULATION IN WHITE FARMING AREAS AND CASH WAGES REMAIN LOW--NO MORE THAN \$33 A MONTH IN MOST CASES. EXCEPT FOR COMMUTERS TO WHITE AREAS, SUBSISTENCE LIVING IS STILL THE RULE FOR MOST HOMELAND RESIDENTS. SERIOUS MALNUTRITION AND HIGH INFANT MORTALITY IS REPORTED DESPITE THE AVAILABILTY OF HOSPITALS OR CLINICS IN MOST AREAS. NO GENERAL RELIEF OR WELFARE PROGRAMS EXIST, ALTHOUGH OLD AGE BENEFITS OF UP TO \$23 MONTHLY ARE AVAILABLE TO A FEW ELDERLY BLACKS WHO MEET STRINGENT MEANS TESTS. AN INSIGNIFICANT NUMBER OF BLACK WORKERS

HAVE MANAGED TO CLAIM UNEMPLOYMENT INSURANCE BENEFITS.

6. HOUSING: UNABLE TO COPE WITH THE SHORTAGE OF 200,000 TO 300,000 HOMES IN URBAN AREAS, THE GOVERNMENT HAS COMPROMISED WITH ITS PRINCIPLES BY ESTABLISHING A 99A-YEAR LEASEHOLD SCHEME FOR BLACKS. THIS OPENS THE PROSPECT FOR NEW OR IMPROVED HOUSING FOR BLACKS LEGALLY IN WHITE AREAS, BASED ON RESOURCES CHanneled THROUGH PRIVATE MORTGAGE COMPANIES. HOWEVER, EVEN IF THE AIM OF 40,000 ADDED HOMES OVER THE NEXT FIVE YEARS IS REACHED, WE DOUBT THAT THE LEASEHOLD PLAN WILL HAVE MAJOR IMPACT ON THE HOUSING PROBLEM. BLACKS IN THE WESTERN CAPE ARE EXCLUDED FROM PARTICIPATION IN THE PLAN ON THE THEORY THAT THE WESTERN CAPE REGION IS A COLORED LIMITED OFFICIAL USE

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LABOR PREFERENCE AREA.

7. BLACK BUSINESS: WHILE THE GOVERNMENT HAS LIFTED MANY RESTRICTIONS OVER THE PAST THREE YEARS, EXCEPT FOR A FEW SHOWPIECE DEVELOPMENTS IN HOMELAND TOWNS, SHOPPING IN BLACK AREAS IS STILL PRIMITIVE AND LARGE COMMUNITIES LIKE SOWETO HAVE YET TO SEE THEIR FIRST SUPERMARKET. IT REMAINS TO BE PROVEN THAT BLACK TRADERS IN THE TOWNSHIPS CAN COMPETE WITH THE POWERFUL WHITE RETAIL CHAINS.
EDMONDSON

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